

REPORT
BY THE
OFFICE OF THE AUDITOR GENERAL

R-525

STATE OF CALIFORNIA
CALIFORNIA INSTITUTION FOR MEN
GENERAL FUND
FINANCIAL AUDIT REPORT
YEAR ENDED JUNE 30, 1983

JULY 1984



Telephone:
(916) 445-0255

Thomas W. Hayes
Auditor General

STATE OF CALIFORNIA
Office of the Auditor General
660 J STREET, SUITE 300
SACRAMENTO, CALIFORNIA 95814

July 5, 1984

R-525

Mr. N.A. Chaderjian, Agency Secretary
Youth and Adult Correction Agency
1027 - 10th Street, Suite 300
Sacramento, California 95814

Dear Mr. Chaderjian:

The Office of the Auditor General presents its financial audit report on the financial statements of the California Institution for Men General Fund accounts for the year ended June 30, 1983.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas W. Hayes".

THOMAS W. HAYES
Auditor General

cc: Mr. Daniel J. McCarthy, Director
Department of Corrections

Ms. Midge Carroll, Superintendent
California Institution for Men

Mr. Ben DeGroot, Chief of Audit Section
Department of Corrections

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INTRODUCTION

We have conducted a financial audit of the General Fund accounts of the California Institution for Men at Chino, a Department of Corrections facility. We conducted this audit under the authority vested in the Auditor General by Section 10500 et seq. of the Government Code.

At June 30, 1983, the California Institution for Men housed 4,446 inmates. The facility's principal objectives are the control, care, and treatment of men found guilty of serious crimes.



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N. A. Chaderjian, Agency Secretary
Youth and Adult Correctional Agency
1027 - 10th Street, Suite 300
Sacramento, California 95814

Dear Mr. Chaderjian:

We have examined the General Fund balance sheet of the California Institution for Men as of June 30, 1983, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended. We made our examination in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary under the circumstances.

As described more fully in Note 1, the financial statements presented are only for the General Fund accounts of the California Institution for Men. They are not intended to present fairly the financial position of the California Institution for Men as a whole at June 30, 1983, or the results of its operations and changes in financial position of its trust accounts and Inmates Welfare Fund for the year then ended, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the financial position of the General Fund accounts of the California Institution for Men as of June 30, 1983, and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the restatement of fund balance as described in Note 8.

OFFICE OF THE AUDITOR GENERAL

A handwritten signature in black ink, appearing to read "Karl W. Dolk".

KARL W. DOLK, CPA
Assistant Auditor General

Date: May 21, 1984

Staff: Richard I. LaRock, CPA, Audit Manager
Teri Yee, CPA
Wesley D. Mar

**STATE OF CALIFORNIA
CALIFORNIA INSTITUTION FOR MEN
GENERAL FUND
BALANCE SHEET
AS OF JUNE 30, 1983**

ASSETS

Cash	\$1,183,518
Accounts Receivable	12,456
Due from Other Funds	180,348
Prepaid Expenses	<u>251,908</u>
 Total Assets	 <u>\$1,628,230</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts Payable	\$1,176,883
Due to Other Funds	477,302
Due to Other Governments	45,348
Other Liabilities	<u>10,607</u>
 Total Liabilities	 <u>1,710,140</u>
Fund Balance	
Clearing Account (Note 3)	(571,328)
Reserve for Encumbrances	<u>489,418</u>
 Total Fund Balance	 <u>(81,910)</u>
 Total Liabilities and Fund Balance	 <u>\$1,628,230</u>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA
 CALIFORNIA INSTITUTION FOR MEN
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1983**

REVENUES

Miscellaneous	\$ 7,265
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OTHER FINANCING SOURCES

Appropriations (Note 4)	<u>52,041,616</u>
Total Revenues and Other Sources	<u>52,048,881</u>

EXPENDITURES

Personal Services	37,224,142
Operating Expense and Equipment	<u>13,225,902</u>
Total Expenditures	50,450,044

OTHER USES

Transfer of Accountability to the State Controller (Note 5)	<u>1,201,237</u>
Total Expenditures and Other Uses	<u>51,651,281</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	397,600
Fund Balance, July 1, 1982, as restated (Note 8)	<u>(479,510)</u>
Fund Balance, June 30, 1983	<u>\$ (81,910)</u>

See the notes accompanying the financial statements.

**CALIFORNIA INSTITUTION FOR MEN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1983**

1. Definition of the Reporting Entity

The accompanying financial statements reflect the financial position and results of operations of the California Institution for Men's accounts within the State's General Fund. This report does not include the financial activities of the trust accounts, the Inmates Welfare Fund, or the General Fixed Asset Account Group at the California Institution for Men. Further, the financial statements do not reflect the activities of the General Fund accounts of either the California Department of Corrections or the State of California as a whole.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments. Below is a summary of significant accounting policies that pertain to the California Institution for Men's financial statements.

A. Fund Accounting

The California Institution for Men's General Fund accounts are part of the State's General Fund, which is the main operating fund of the State. The State's General Fund, a governmental fund type, accounts for transactions that are not required to be accounted for in another fund.

B. Basis of Accounting

The State's General Fund is accounted for on a modified accrual basis. Revenues are recorded when they become measurable and available. Expenditures are recorded when the liability is incurred, except for costs of vacation and sick leave; these costs are recorded when paid.

3. Fund Balance-Clearing Account

The balance is the excess of the liabilities that have not been paid by the State Controller at June 30, 1983, over the assets of the California Institution for Men that have not been transferred to the State Controller.

4. Appropriations

Financing sources from appropriations consist of payments made by the State Controller and charged to the California Institution for Men's budget allocations.

5. Transfer of Accountability to the State Controller

This account represents amounts that the California Institution for Men transferred from its cash account to the State's General Fund cash account maintained by the State Controller.

6. Retirement Contributions

Regular employees of the California Institution for Men are members of the Public Employees' Retirement System (PERS), which is a defined benefit, contributory retirement plan. The amount the California Institution for Men and its employees contribute to the PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as they are accrued. The California Institution for Men's share of retirement contributions was \$4,423,978 for fiscal year 1982-83.

7. Reconciliation of Legal Basis to GAAP Basis

The California Institution for Men annually reports its financial condition according to state laws and regulations (legal basis) for the primary purpose of maintaining accountability of its budget. The legal basis records are used as the basis for audit. After the legal basis report is prepared, adjustments are made to prepare the financial statements in accordance with generally accepted accounting principles (GAAP).

Accounting principles applied for the purposes of developing data on a legal basis differ from those used to present financial statements in conformity with GAAP. Encumbrances for goods and services ordered but not received by the end of the year are recorded as expenditures on a legal basis but are reported as a reservation of fund balance in accordance with GAAP. The following schedule reconciles the results of operations and the fund balance determined on a legal basis to the results of operations and the fund balance determined in accordance with GAAP.

	<u>Excess of Revenues and Other Sources Over Expenditures and Other Uses</u>	<u>Fund Balance June 30, 1983</u>
Legal Basis, June 30, 1983	\$195,614	\$(571,328)
Encumbrances		
June 30, 1982	(287,432)	
June 30, 1983	<u>489,418</u>	<u>489,418</u>
GAAP Basis, June 30, 1983	<u>\$397,600</u>	<u>\$ (81,910)</u>

8. Fund Balance, July 1, 1982, as Restated

In the prior year, encumbrances outstanding were charged to expenditures. To conform with GAAP, fund balance at July 1, 1982, was restated to incorporate the effect of the change in accounting for these encumbrances. The following schedule shows the effect of the restatement.

Fund Balance, July 1, 1982, Before Restatement	\$(766,942)
Effect of Change in Accounting for Recognition of Encumbrances	<u>287,432</u>
Fund Balance, July 1, 1982, as Restated	<u>\$(479,510)</u>

9. Comparison of Budgeted and Actual Expenditures

Each year, the Legislature adopts a budget for support expenditures for the California Department of Corrections (DOC) as a whole. However, the legally adopted budget does not include specific appropriations for individual DOC institutions such as the California Institution for Men. The DOC allocates its appropriation to the various institutions. In addition to accounting for the DOC budget appropriation as a whole, the State Controller maintains accountability over the total DOC budget allocation to each institution. The schedule below presents the budgeted allocations and the actual (legal basis) expenditures and reimbursements for the California Institution for Men for the year ended June 30, 1983. The schedule does not include data related to prior fiscal years' allocations.

	<u>Budget</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
Expenditures			
Personal Services	\$37,664,345	\$37,699,614	\$(35,269)
Operating Expenses and Equipment	14,273,815	14,237,941	35,874
Reimbursements	<u>(508,813)</u>	<u>(508,922)</u>	<u>109</u>
Total Expenditures	<u>\$51,429,347</u>	<u>\$51,428,633</u>	<u>\$ 714</u>